

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 COME-00 AGR-05 AF-06 ARA-06

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4125

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FOR EB/TRP: MR. O'DONNELL

E.O. 11652: N/A

TAGS: ETRD EAGR

SUBJECT: COFFEE: U.S. VIEWS ON COFFEE NEGOTIATIONS

REF: A) LONDON 12411, B) STATE 182723

1. USREP DISCUSSED REF B WITH MONTES OF GUATEMALA
AUGUST 21 AND ON AUGUST 26 LEFT MEMORANDUM SUMMING UP
U.S. VIEW OF FORTHCOMING COFFEE NEGOTIATIONS IN AFTER-
MATH OF BRAZIL FROST WITH HIM.

2. MONTES ALREADY AWARE U.S. POSITION AND ROUGHLY
SIMILAR VIEWS EXPRESSED BY OTHER MAJOR PRODUCERS. RE-
GARDING NEGOTIATIONS, MONTES NOTED THAT HE DID NOT
QUESTION POLITICAL WILL OF BRAZIL AND OTHERS AT THIS
POINT, BUT PROBLEM OF MARKET SHARES IN ANY FUTURE AGREE-
MENT STILL HAD TO BE SOLVED. HE DOUBTED THAT FLEXIBLE
SYSTEM BASED IN PART ON STOCKS WAS STILL APPLICABLE,
POINTING OUT THAT AS MINIMUM NEW AGREEMENT WOULD HAVE TO
ENTAIL REDISTRIBUTION OF BRAZIL SHORTFALLS.

3. MONTES' ESTIMATE IS THAT SHORT SUPPLY SITUATION WILL
PROBABLY PERSIST FOR ABOUT THREE YEARS, AND THAT WHILE
BRAZIL MAY PULL DOWN STOCKS TO VERY LOW LEVELS, IT WILL
STILL BE STRONGER THAN OTHER PRODUCERS (SO, PRESUMABLY,
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BRAZIL WILL NOT BE UNDER GREAT PRESSURE TO ABANDON STOCKS

QUOTA FORMULA). POINT MONTES MAKES IS WHETHER IT IS IN CONSUMER'S INTEREST TO INSIST UPON STOCKS BASIS WHICH WOULD REMOVE EVEN MORE COFFEE FROM MARKET IN TIGHT SITUATION.

4. MONTES ADMITTED "STANDBY AGREEMENT" MIGHT BE ALL THAT CAN BE ACHIEVED IN NOVEMBER, BUT OTHERWISE HAD LITTLE COMMENT ON THIS IDEA.

5. HE EMPHASIZED AT END OF CONVERSATION THAT SUCCESS OF NEGOTIATION COULD DEPEND UPON ABILITY OF U.S. AND BRAZIL TO AGREE ON MAJOR ELEMENTS OF THE NEW AGREEMENT, IN LIGHT OF THE FROST, WELL BEFORE NEGOTIATIONS ARE RESUMED.

RICHARDSON

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Margaret P. Grafeld
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